



House of Representatives

General Assembly

File No. 247

February Session, 2016

Substitute House Bill No. 5507

House of Representatives, March 29, 2016

The Committee on Labor and Public Employees reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT CONCERNING THE LABOR DEPARTMENT AND THE
CERTIFICATION OF EMPLOYEES FOR PURPOSES OF THE
UNEMPLOYMENT COMPENSATION SYSTEM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) On and after January 1,
2 2017, no individual, sole proprietor or business partner who (1) has not
3 accepted the provisions of chapter 567 of the general statutes pursuant
4 to subsection (b) of section 31-223 of the general statutes, or (2) has
5 ceased to be subject to said chapter in accordance with the provisions
6 of subsection (c) of section 31-223 of the general statutes, shall be
7 required to submit any form to the Labor Department certifying that
8 such individual, sole proprietor or business partner does not employ
9 any employees for the purposes of chapter 567 of the general statutes.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
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Statement of Legislative Commissioners:

After the first reference to chapter 567, "of the general statutes" was added for clarity and consistency.

LAB *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Labor Dept.	UCF - Cost	Up to 274,959	Up to 549,919
Labor Dept.	UCF - Potential Revenue Loss	See Below	See Below

Note: UCF=Unemployment Compensation Fund

Municipal Impact: None**Explanation**

The bill exempts certain businesses and individuals who have stopped participating in the unemployment system from the requirement to continue to file unemployment tax returns. This results in a cost to the Unemployment Compensation Fund (UCF) of up to \$274,959 in FY 17 (partial year) and up to \$549,919 in FY 18. Additionally, to the extent the bill is out of conformity with federal unemployment requirements, this could result in the loss of federal unemployment compensation administration funding.

It is estimated that the bill's provisions would extend to up to 10,000 businesses annually. In order to ensure that those businesses are legitimately not required to file and pay unemployment taxes, the Labor Department would require up to four Revenue Examiner I positions for audit and compliance. This results in an annualized cost of \$137,480 each (\$73,440 for salary and \$64,040 for fringe costs) to the UCF.

It is unclear if the bill's provisions are in conformity with the Federal Unemployment Tax Act. To the extent the bill is not in

conformity with federal requirements, this could jeopardize federal funding of up to \$53 million currently utilized by the Labor Department to administer the state unemployment insurance program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Labor Department Unemployment Division Statistics

OLR Bill Analysis**HB 5507*****AN ACT CONCERNING THE LABOR DEPARTMENT AND THE CERTIFICATION OF EMPLOYEES FOR PURPOSES OF THE UNEMPLOYMENT COMPENSATION SYSTEM.*****SUMMARY:**

Starting January 1, 2017, this bill prohibits the Department of Labor (DOL) from requiring any individuals, sole proprietors, or business partners to submit any unemployment forms certifying that they do not employ anyone if (1) they are not required to participate in the unemployment system and have not opted to join it or (2) the labor commissioner approved their application to stop participating in the system. In practice, DOL requires employers who have stopped participating in the unemployment system to continue filing quarterly tax returns (which can be done by phone or via the Internet) even if they have no employees.

By law, employers who stop participating in the system must prove that they (1) have had no employees work for at least 13 weeks over the preceding 15 months, (2) are not subject to the Federal Unemployment Tax Act (FUTA), and (3) have notified their employees that they intend to stop participating in the system. In general, employers are subject to FUTA if, during the current or preceding calendar year, they (1) paid at least \$1,500 in wages in any calendar quarter or (2) had at least one employee at any time in each of 20 calendar weeks.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 13 Nay 0 (03/10/2016)